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September 7, 2000

## VIA FACSIMILE AND OVERNIGHT DELIVERY

Darrell Whitis, Utility Rate Specialist  
Telecommunications Division  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37219

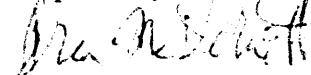
Re: Docket No. 00-00713; Sigma Networks Telecommunications, Inc.'s Responses to August 22, 2000 Data Request

Dear Mr. Whitis:

Enclosed for filing on behalf of Sigma Networks Telecommunications, Inc. ("Sigma") are an original and thirteen (13) copies of Sigma's Responses to the Authority's August 22, 2000 Data Requests. Sigma respectfully submits this information to assist and expedite the Authority's examination of its application in this matter.

Please date stamp the enclosed extra copy of this filing and return it in the self-addressed, postage prepaid envelope provided. Should you have questions concerning this filing, please do not hesitate to contact the undersigned at (202) 424-7500.

Respectfully submitted,



Katherine A. Rolph  
Brian M. McDermott

Counsel for Sigma Networks Telecommunications, Inc.

Enclosure

cc: Lisa Kennedy (Sigma)  
Kelly A. Olson

POSTED  
9/11/00

## DOCKET NO. 00-00713

### **Sigma Networks Telecommunications, Inc. Responses to August 22, 2000 Data Request**

#### **General**

1. On March 10, 2000, the Tennessee General Assembly enacted Public Chapter 586 which amends Tennessee Code Annotated §65-4-125, "Changes in telecommunications service provider – Regulation – Enforcement." Section 3 of this act states as follows:

Section 3. Tennessee Code Annotated, Section 65-4-125, is amended by adding the following as a new, appropriately designated subsection:

- j. By September 1, 2000, all telecommunications service providers subject to the control and jurisdiction of the authority, except those owners or operators of public [pay] telephone service who pay annual inspection and supervision fees pursuant to Tennessee Code Annotated, Section 65-4-301(b), or any telecommunications service provider that owns and operates equipment facilities in Tennessee with a value of more than five million dollars (\$5,000,000), shall file with the authority a corporate surety bond or irrevocable letter of credit in the amount of twenty thousand dollars (\$20,000) to secure the payment of any monetary sanction imposed in any enforcement proceeding, brought under this title or the Consumer Telemarketing Protection act of 1990, by or on behalf of the authority.

Pursuant to the above statute, the following will be due to the Tennessee Regulatory Authority ("TRA"), prior to completing the processing of your application for a Certificate of Public Convenience and Necessity.

1. A corporate surety bond in form and substance similar to the attached form (Sample #1) in the amount of \$20,000; or
  2. An irrevocable letter of credit in form and substance similar to the attached form (Sample #2) in the amount of \$20,000; or
  3. Documentary evidence that you own and operate equipment facilities in Tennessee worth more than \$5,000,000.
- 1A. Sigma is in the process of obtaining a surety bond in form and substance similar to Sample #1 in the amount of \$20,000. Sigma will forward the Tennessee Regulatory Authority a copy of the surety bond under separate cover as soon as it becomes available.

2. Does the company intend to telemarket its services in Tennessee? If yes, is the company aware of the telemarketing statutes and regulations found in TCA §65-4-401 and Chapter 1220-4-11?
- 2A. At this time, Sigma does not have plans to telemarket its services in Tennessee. If in the future telemarketing is used, Sigma will abide by all applicable statutes and regulations.
3. Please state if there are any special CPE (Customer Provided Equipment) requirements that would not be compatible with an incumbent carrier.
- 3A. At this time, Sigma does not plan to require customers to purchase customer provider equipment which is not compatible with an incumbent carrier. Sigma intends to use industry standard equipment to offer its services.
4. Will the Company require customer deposits?
- 4A. Sigma will not require deposits except in cases where special construction is involved. The deposit may include an amount equal to the estimated non-recurring charges for the special construction and recurring charges (if any) for a period to be set between the Company and the Customer. The deposit will be credited to the Customer's initial bill.

**Financial:**

1. Please provide projected financial statements inclusive of balance sheets, income statements and statements of cash flow for three consecutive years. We received only proformas for February 29, 2000, Year 1.
- 1A. Attached please find as Confidential Exhibit 1 a copy of Sigma's projected financial statements for three consecutive years. Sigma is a privately-held corporation and its financial statements are confidential and commercially sensitive. Therefore, Sigma has filed Exhibit 1 under seal and respectfully requests that its financial information be given confidential treatment and that the financial information not be made part of the public record or otherwise available for public disclosure.
2. Please provide a detailed statement of source of capital investment.
- 2A. Attached please find as Exhibit 2 a copy of Sigma's June, 2000 bank statement which shows that Sigma has sufficient financial resources available to provide its proposed telecommunications services. In the future, Sigma may seek additional funds through private investors and vendor financing arrangements.

3. Please provide how any losses as stated in projections and proformas will be covered over the next three years.
- 3A. In contrast to traditional incumbent carriers, companies seeking to enter the telecommunications market and compete with the incumbent carriers must expend substantial amounts of capital in advance of generating a subscriber base and receiving corresponding revenues. As a result, Sigma will experience negative cash flows and operating losses while it hires a professional management team, constructs a working organization and establishes a customer base sufficient to generate revenue that will cover Sigma's continued expansion of its operations. These obligations do not represent business reversals or inefficiencies; rather they directly result from Sigma's implementation of its long-term strategy of deploying state-of-the-art, competitively-priced telecommunications services. As Sigma's revenues increase through the acquisition of new customers, Sigma's revenues will supplant its losses.
4. Please provide a detailed capital expenditure budget including the type and cost of the equipment to be deployed.
- 4A. At this time, Sigma does not have sufficient plans to describe the type or cost of the equipment to be deployed in Tennessee.
5. Please provide a biography of the key management person responsible for the financial information such as the Chief Financial Officer.
- 5A. Please find attached as Exhibit 2 a copy of the biography of John K. Peters, Sigma's management person responsible for financial information.

## **EXHIBITS**

Exhibit 1	.....	Projected Financial Statements
Exhibit 2	.....	Bank Statement
Exhibit 3	.....	Biography of John K. Peters

**Exhibit 1**

**Projected Financial Statements**

**Exhibit 2**

**Bank Statment**

**Exhibit 3**

**Biography of John K. Peters**



## **Biography of John K. Peters**

### **JOHN K. PETERS, CHIEF EXECUTIVE OFFICER**

Mr. Peters is the founder and CEO of Sigma Networks Telecommunications, Inc., a facilities-based provider of broadband, Internet Protocol-based metropolitan area network services. Prior to Sigma Networks Telecommunications, Inc., Mr. Peters was Executive Vice President for Concentric Network Corporation from 1995 through 1999. As EVP, he held various senior management roles leading the Operations, Engineering, Product Development, Product Management, Web Hosting Services, and Corporate Development organizations.

From 1993 to August 1995, Mr. Peters was President of Venture Development Consulting, a consulting firm specializing in new communications and information services. From 1988 to 1993, he was Vice President and Chief Operating Officer of Pacific Bell Information Services, Inc. Prior to that, Mr. Peters spent three years as Vice President of Application Services for Telestream Corporation. In 1981, he co-founded Integrated Office Systems, Inc., a communications and information systems company. From 1976 to 1980, Mr. Peters was Vice President of Advanced Network Services for GTE Telenet Communications Corporation.

He has an M.B.A. from Stanford Graduate School of Business and a B.S. degree in statistics from Stanford University. Mr. Peters serves on the board of directors for Turnstone Systems, FusionOne Corporation and is President of the Stanford Graduate School of Business Alumni Association board of directors.